

## ALT 5 – DIGITAL ASSETS MORNING CALL

*More on Fidelity's plan to offer crypto in 401Ks; US growth falls short of expectations*

NEW YORK, NEW YORK, US, April 28, 2022 /EINPresswire.com/ -- ALT 5 Sigma Inc. a global fintech that provides next generation blockchain powered technologies for tokenization, trading, clearing, settlement, payment, and insured custodianship of digital instruments releases its digital assets morning call.

- Fidelity could face regulatory challenges in plan to offer crypto in 401K plans
- US economic growth was worse than expected in Q1...
- Keeping macro issues front and center for crypto investors

The logo features the text "ALT5" in a large, bold, sans-serif font, where "ALT" is black and "5" is blue. Below it, the words "DIGITAL ASSETS" and "MORNING CALL" are stacked in a smaller, bold, black, sans-serif font.

Fidelity's announcement this week that it will make crypto assets (BTC to start) available in the 401K plans it administers for employers is a major step in broadening access to crypto for individual investors. However, the regulatory issues around those plans have yet to be fully settled, and an article in Bloomberg news today highlights a potentially important area of dispute.

US Department of Labor urged caution on crypto investments in retirement plans

In March the US Department of Labor (DOL) announced it will investigate companies [employers] that offer crypto in their employee 401K plans, because such products are speculative and volatile and, they argue, because decentralization makes it difficult for plan officials to properly track their performance. The implication is that this will slow down or limit 401K plans from offering crypto products as investment alternatives to their employees.

But Fidelity argues that as a plan administrator, it is outside of the DOL's warning on crypto investments. Fidelity says it is the employer/sponsor that needs to consider the DOL's concerns and who will ultimately decide whether a crypto offering will be included in employee investment options. The DOL may consider that more of a rebuttal rather than a statement of fact, and that remains to be seen.

The Fidelity news should be positive for digital assets, but regulatory issues will matter

From our perspective, this is probably not the only regulatory challenge that could slow the availability of crypto to individual retirement plans. On balance, the potential inclusion of crypto in 401K plans and other retirement vehicles should be a net positive for the crypto space as it increases investor participation in digital assets. But the scale and timing of that inclusion will clearly have some bearing on the actual benefit that brings to crypto asset prices.

A notable miss on US GDP

On the macro front, the first read on US first quarter GDP came worse than expected, with growth actually falling at a 1.4% annualized pace versus an expected gain of 1.0%. On the surface, that could raise concerns about the economy's trajectory given that anticipated Fed tightening in the coming months is already expected to slow demand (by design).

However, as has often been the case since the covid pandemic began, there are some peculiarities and volatility to the data which suggest the headline reading of negative growth is somewhat misleading. Specifically, net exports and inventories both subtracted from growth in Q1, and both are likely to rebound in Q2. That's the "good" news.

Less encouraging is that is that consumption was weaker than expected—it rose 2.7%, roughly a full percentage point below expected. Given that consumption still makes up the lions share of overall GDP (roughly two-thirds), this would be a concern if it does not improve going forward.

The macro backdrop remains challenging for crypto investors

For crypto investors, the economy's trajectory, alongside accelerated inflation and upcoming Fed tightening make for a more difficult investment backdrop. We have highlighted that markets have already priced in a lot of the anticipated Fed tightening, with the US 2yr note yield (2.65%) roughly 200 bp above the current Federal Funds rate (0.37% mid-point). That suggests to us that major crypto assets and other financial assets can better handle upcoming Fed tightening, providing economic growth rebounds in the current and coming quarters, as many economists anticipate.

However, if the Fed tightens into an economic slowdown, the combination of weaker US growth and tighter Fed policy could create more challenges for crypto prices. Note that all of this will

remain very much top of mind as the Federal Reserve holds its next policy meeting in the coming week (May 3-4).

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## ABOUT ALT 5 Sigma

ALT 5 Sigma is a global fintech that provides next generation blockchain powered technologies for the trading, clearing, settlement, payment, and insured custodianship of digital instruments. ALT 5 was founded by financial industry specialists out of the necessity to provide the digital asset economy with security, accessibility, transparency, and compliance. ALT 5 provides its clients the ability to buy, sell and hold digital assets in a safe and secure environment deployed with the best practices of the financial industry. ALT 5 Sigma's products and services are available to Banks, Broker Dealers, Funds, Family Offices, Professional Traders, Retail Traders, Digital Asset Exchanges, Digital Asset Brokers, Blockchain Developers, and Financial Information Providers. ALT 5's digital asset custodian services are secured by Fireblocks.

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